Revenue Committee

Meeting Summary

October 17, 2000

(Approved 11/8/00)

Committee members present: Chair Skip Rowley, Roger Dormaier, Bob Helsell, Representative Ed Murray, Neil Peterson, Larry Pursley, Doug Vaughn,

Other Commissioners present: Don Briscoe, Doug Hurley, Senator Jim Horn

Committee members not present: Councilmember Dave Earling, Jim Fitzgerald, Governor Booth Gardner, Aaron Ostrom, Senator George Sellar, Commissioner Judy Wilson

The Revenue Committee convened at 8:30 am at the SeaTac Marriott. A motion was made and seconded to adopt the April 18, 2000 meeting summary and the meeting summary was approved.

Public Comment

King County Councilmember Maggie Fimia addressed the committee on the topic of pricing. She reported that the Puget Sound Regional Council had developed four alternatives as part of the Metropolitan Transportation Plan update. Two of the scenarios called for $46 and $47 billion in additional funding over 30 years. Even with full build-out, congestion and delay per person would remain unchanged and there would be no improvement in mode split. The only remedy was to change the pricing of SOV travel on the roads. This would accomplish two things: it would provide an idea of the true cost of use and it would generate revenues.

A committee member asked how the person traveling through the region would be affected. The reply was that in California where HOT lanes are in use, only a vehicle with the needed transponder is allowed in the lane. In other places, cameras take a picture of the license plate and then send the owner a bill.

Doug Rauh of Bainbridge Island addressed the committee and said he wished to express support for a gas tax increase.

Chair Rowley reported that in the last several months Commissioners have been meeting with stakeholders and the public to receive feedback on the Accords and Options. At a recent meeting with environmental community stakeholders a concern had been voiced that the options did not emphasize trip reduction enough. There had been little support for the concept of permit reform because of concerns about downgrading environmental quality. Elsewhere feedback had included objection to a ban on studded tires. Many people had voiced the view that the system was fine, but just needed more money. After hearing from the public, the time was now approaching to merge the Revenue Committee's efforts with those of the other two committees.

Update from Investment Strategies Committee

Chris Mefford of Eco Northwest, staff to the Investment Strategies Committee, addressed the committee. He reported that a preliminary investment plan was presented to his committee within the last several weeks, and based on input, a revised plan was being prepared. The investment plan will be a policy plan, not a project list. It includes 13 policies organized into four categories: preserve, optimize, expand and improve decisions. Statewide needs are estimated to total, over 20 years, $58 billion in operation, maintenance and preservation; $484 million in optimization; and $70 billion in expansion (year 2000 dollars) for all modes. The plan will be linked to achievement of the benchmarks and will include an "early action" strategy for the short term as well as a long-term strategy.

In July and August two workshops were held jointly by the Blue Ribbon Commission and the Puget Sound Regional Council. As a result, PSRC agreed as part of its MTP modeling to conduct a choke point analysis in two scenarios: current law and new law investment levels. The summary of modeling results shows, for each roadway link, the average daily trips, average delay and average travel speed in the year 2010. A member observed that what is missing from the analysis is the unmet need or the total real capacity needed. It was also noted that the modeling results do not indicate that significant population growth is assumed and a large increase in riders is accommodated on the system. A member asked what level of TDM measures and other incentives is assumed in the investment plan and suggested listing them out.

Update from Administration Committee

Doug Hurley, chairman of the Administration Committee, reported that his committee began its analysis of efficiencies in three areas: administrative costs, operation and maintenance, and project delivery. In examining administrative costs, they learned that the differentials among jurisdictions are significant and that the complexity of the data and the methods of cost allocation made it very difficult to compare. The committee chose to handle the issue by establishing a benchmark target of top quartile nationally. Because of Initiative 695, many jurisdictions had already taken internal cost cutting measures. For example King County Metro cut $14 million from overhead functions and re-deployed them to operations.

O&M cost recommendations were already identified in the JLARC audit. The committee looked nationally and found that workplace reengineering and managed competition had achieved savings of 10% to 35% in various places. Most savings were immediately plowed back into service and could not be "captured" as such. Project delivery techniques such as design/build were found to speed up projects but did not generate substantial cost savings. The Administration Committee would be recommending a shift in the role of the Transportation Commission to focus on accountability for all jurisdictions, not just WSDOT. The benchmarks would need a home and a responsible entity and a way to keep pressure for cost effectiveness on over time.

Under permit reform, the committee would be recommending one-stop permit centers and delegation of the federal 404 (wetlands) permitting to the state. Other states had shown that what is now a two-year process could be cut to 90 days. WSDOT is already experimenting with reinventing NEPA approaches. The committee had not come up with a solution to the impacts of the Endangered Species Act. A member asked whether the committee had considered the Australian technique in which jurisdictions were told that if they could not reduce costs, a service would be contracted out for them. It had introduced competition and produced incentive for change. Another member noted that political reality in Washington had not been supportive of such an approach. The Governor had proposed civil service reforms but these had been considered weak by the business and engineering communities.

Overview of Public Comments Received

Kjris Lund, Blue Ribbon Commission project manager, provided a memo summarizing the public comments on the accords and options. She reported that extensive input had been received in written letters, e-mail and at public hearings and roundtables. The most commented-on options were the banning of studded tires, permit reform, tolls and congestion pricing, and shared resources.

Specifically regarding revenue measures, several themes had emerged:
- Support for increased gas taxes;
- Support from the public sector for indexing the gas tax, but opposition from the private sector;
- Mixed views on a sales tax on gas;
- Strong support for a local and regional "tool kit" of options;
- Concerns about the concept of regional equity;
- Open-minded willingness to consider reform of the funding structure.

Discussion of Revenue Options

The Chair asked Kathy Elias, committee staff, to report on the fiscal analysis and bonding in particular. Elias reported that staff had been preparing analyses and forecasts of the various revenue options over the last several months and conducting discussions with various affected stakeholders. A first set of draft recommendations on structural changes had been prepared for today's discussion. Recommendations on funding measures would be prepared for discussion at the upcoming Revenue Committee meeting on November 8, 2000.

The proposals would include some level of bonding, either of existing or new revenue streams. Depending on the outcome of several of the initiatives on the November ballot, proposals might include transferring auto-related sales taxes from the General Fund and bonding them. Washington State has Constitutional and statutory debt limits, set at 9% and 7% respectively, of the rolling average of three years of General Fund revenues. Transportation debt was not subject to the debt limit, although it was generally issued as "double-barreled" bonds backed by gas tax revenues and further warranted by the full faith and credit of the state. Washington has an excellent credit rating, with debt issued recently at 5.6%. Regional transportation bonds might be structured similar to Sound Transit's which are issued as limited tax general obligation debt and carried an interest rate premium of about 10 basis points above the state's.

Referring to the handout headed Draft Recommendations, Elias reviewed the Goals and Principles previously discussed by the Committee. She also noted that two of the committee's previous options had not been included in the draft, due to public feedback signaling limited effectiveness of the options. They were the option to have counties take over roadway jurisdiction of cities under 5000; and the proposed merging of TIB and WSDOT's Local Roadways Division.

A member offered that he felt the goals and principles should include mention of the importance of market forces and incentives to reward behavior that is in the interest of the system. It was pointed out that a principle already addresses user fees and linkage between those who use the system and payment for use, but the member felt that did not sufficiently address the larger concept. Another member said he felt the Committee had not determined to support pricing. Another member said he felt that over time the public will have to get used to the idea of pricing and that it must be part of any list of tools. It was also offered that in the short term pricing is not feasible.

Members also discussed the goal of equity and suggested that language needed to be added indicating that regional or geographic equity was also included in the concept.

Recommendation #8 regarding tying funding to progress on benchmark efficiencies was discussed. It was offered that such a linkage would be difficult to measure and administer. One member wondered whether it could be changed to be an incentive such as additional points toward grant selection criteria. Another member wondered whether some jurisdictions might be disadvantaged.

On Recommendation #18 regarding regional equity, a member felt it should be applied to all revenue, not just improvement revenue. The question was asked whether state patrol funding was included in the equity analysis. Staff agreed to research the question.

The Committee adjourned at 11:45 a.m.